

Analyzing Your Current Economic Situation

by

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ANALYZING YOUR

CURRENT ECONOMIC

SITUATION

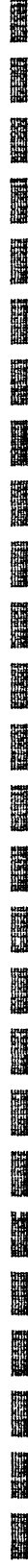
WHAT ARE YOU ANALYZING?

FARM BUSINESSES

ATTN
FAMILY

TO
BOB

WHAT'S THE TIME FRAME?



SHORT
RUN

TRANSIT

LONG
RUN

RETAILLY

UNDERSTAND THE TERMS

ASSETS / LIABILITIES / NET WORTH

CASH FLOW / RECEIPTS / EXPENSES

BALANCE SHEET / INCOME STATEMENT

INVENTORY CHANGE / NET FARM INCOME

DEPRECIATION / COST BASIS

CURRENT-INTERMEDIATE-LONG TERM RATIOS

CRITERIA FOR EFFECTIVE FINANCIAL ANALYSIS

LIQUIDITY

SOLVENCY

PROFITABILITY

EFFICIENCY

LIQUIDITY MEASURES

CURRENT RATIO

CURRENT ASSETS / CURRENT LIABILITIES

2 : 1 RECOMMEND

FIXED CAPITAL

CURRENT ASSETS - STICKS AND NEEDLES

50 % OF ASSETS

SOLVENCY MEASURES

NET WORTH

TOTAL ASSETS - TOTAL LIABILITIES

LEVERAGE RATIO

TOTAL DEBT / NET WORTH

DEBT-TO-EQUITY RATIO

TOTAL DEBT / TOTAL ASSETS

PROJECTED FINANCIAL SITUATION -- HOG

SCENARIO	INITIAL D/A RATIO		
	.2	.5	.7
BEGINNING NET WORTH (1986)	293,000	183,000	110,000
WEAK PRICES			
ENDING NET WORTH (1990)	260,000	105,000	-6,000
ENDING D/A	.18	.61	1.02
MODERATE PRICES			
ENDING NET WORTH (1990)	296,000	152,000	44,000
ENDING D/A	.16	.43	.83
STRONG PRICES			
ENDING NET WORTH	360,000	221,000	127,000
ENDING D/A	.14	.34	.54

PROJECTED FINANCIAL SITUATION -- CATTLE

SCENARIO	INITIAL D/A RATIO		
	.2	.5	.7
BEGINNING NET WORTH (1986)	478,000	299,000	179,000
WEAK PRICES			
ENDING NET WORTH (1990)	351,000	78,000	-103,000
ENDING D/A	.33	.85	1.20
MODERATE PRICES			
ENDING NET WORTH (1990)	445,000	175,000	-6,000
ENDING D/A	.15	.66	1.01
STRONG PRICES			
ENDING NET WORTH (1990)	512,000	269,000	90,000
ENDING D/A	.12	.48	.83

PROJECTED FINANCIAL SITUATION -- DAIRY

SCENARIO	INITIAL D/A RATIO		
	.2	.5	.7
BEGINNING NET WORTH (1986)	361,000	226,000	135,000
WEAK PRICES			
ENDING NET WORTH (1990)	384,000	205,000	70,000
ENDING D/A	.16	.46	.81
MODERATE PRICES			
ENDING NET WORTH (1990)	411,000	238,000	111,000
ENDING D/A	.15	.38	.71
STRONG PRICES			
ENDING NET WORTH (1990)	437,000	264,000	146,000
ENDING D/A	.14	.36	.62

PROFITABILITY MEASURES

NET FARM INCOME

RETURN ON INVESTMENT (ROI) (ROG)

RETURN ON EQUITY (ROE)

RATE OF GROWTH IN NET WORTH

PROFIT MARGIN RATIO

FINANCIAL EFFICIENCY

TURNOVER RATIO

VALUE OF PROD. / TOTAL ASSETS

OPERATIONAL RATIOS

OPERATING EXPENSE / VALUE OF PROD.

DEBT SERVICING RATIO

(INT. + PRIN) / VALUE OF PROD.

BAL. SHEET 1/1/86

CASH RECORD '86

BAL. SHEET 1/1/87

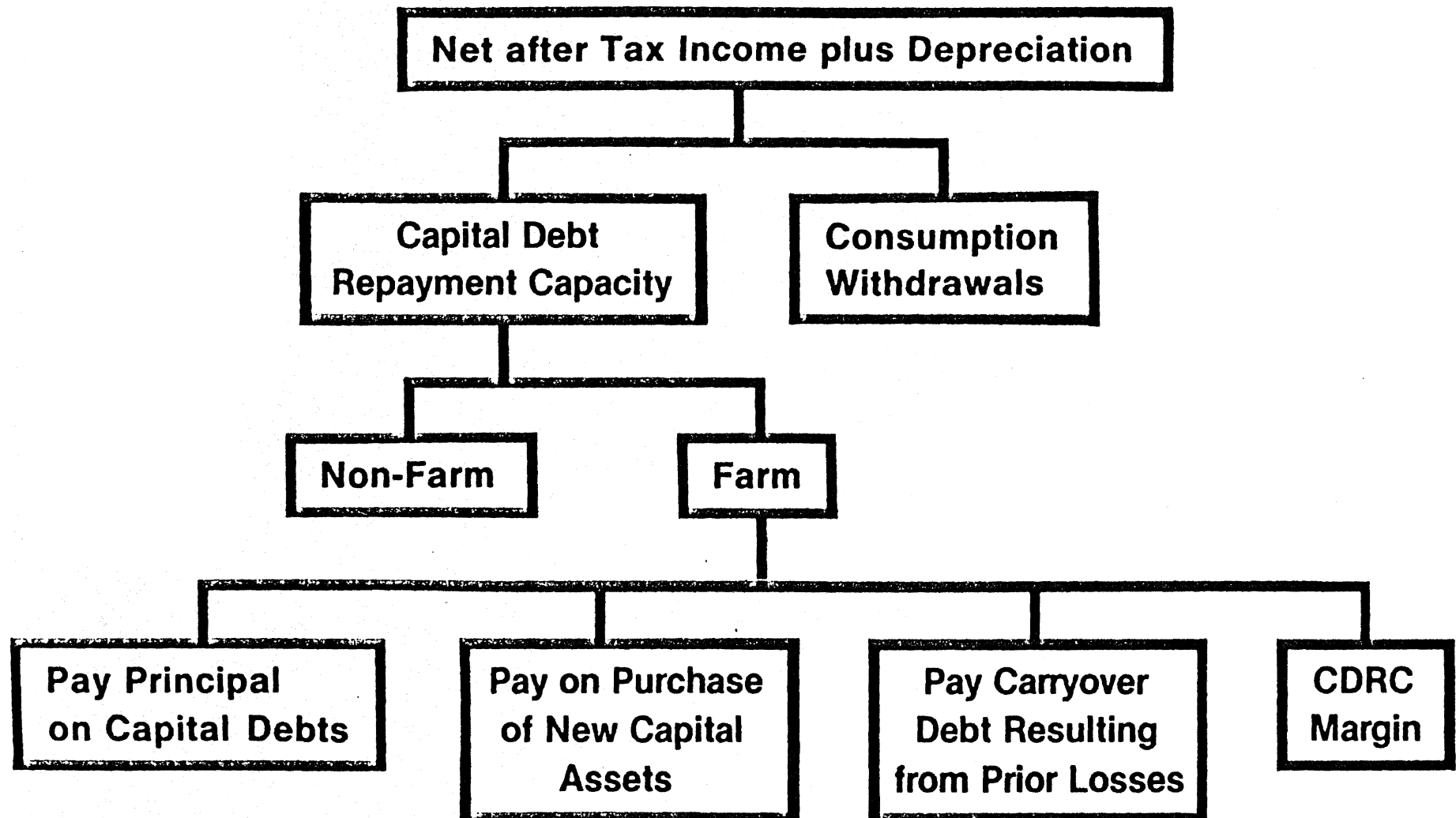
CASH FLOW '87

BAL. SHEET 1/1/88

INCOME STATEMENT '86

INCOME STATEMENT '87

Capital Debt Repayment Capacity (CDRC)



Capital Debt Repayment Capacity (CDRC)

● Net Income \$ _____
+ Depreciation _____
– Capital Gains _____
– Withdrawals _____
= CDRC From Normal Operations (a) \$ _____

● Uses of CDRC
Payment of Principal on Capital Debts \$ _____
Pay on Purchase of Capital Assets \$ _____
Pay Carry-Over Debt Resulting From Losses \$ _____

● Subtotal Of Uses (b) \$ _____
Margin from Normal Operations (a-b)= (c) \$ _____
+ Capital Gains (d) \$ _____
= Total Net CDRC Margin (e) \$ _____